

## Message Text

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ACTION EUR-12

INFO OCT-01 IO-13 ISO-00 AID-05 CEA-01 CIAE-00 COME-00  
EB-07 FRB-01 INR-07 NSAE-00 EPG-02 SP-02 STR-04  
TRSE-00 LAB-04 SIL-01 OMB-01 AGRE-00 /061 W  
-----060819Z 018498 /12

R 051613Z MAY 77  
FM AMEMBASSY PARIS  
TO SECSTATE WASHDC 2494  
INFO ALL EC CAPITALS  
USDEL MTN GENEVA  
USMISSION EC BRUSSELS

UNCLAS PARIS 13307

DEPARTMENT PASS AGRICULTURE ELECTRONICALLY

E.O. 11652: N/A  
TAGS: EAGR/FR  
SUBJECT: FRENCH VIEWS ON 1977/78 EC PRICE PACKAGE

1. FRENCH REACTIONS TO THE NEW EC PRICE PACKAGE, NOW THAT THE DUST HAS SETTLED, IS ONE OF RESTRAINED SATISFACTION. THE FRENCH ARE GENERALLY PLEASED THAT THE GENERAL FRAMEWORK OF THE CAP HAS BEEN PRESERVED DESPITE THE "BAD WILL" OF THE UK IN BLOCKING AN AGREEMENT FOR SO LONG. THERE IS CONCERN, HOWEVER, THAT THE AGREEMENT HAS DONE LITTLE MORE THAN PATCH OVER OLD PROBLEMS AND DILEMMAS POSED BY DAIRY SURPLUSES, WINE AND MONETARY COMPENSATORY AMOUNTS (MCAS) WHICH REMAIN AS THORNY AS EVER.

2. OFFICIAL CIRCLES WERE FAR MORE SANGUINE OVER THE VALUE OF THE NEW AGREEMENT THAN WERE FARMERS AND AGRICULTURAL GROUPS WHO COMPLAINED THAT THE NET GAIN OF 6.6 PERCENT (3.6 INCREASE IN PRICES PLUS 3.0 INCREASE IN THE GREEN FRANC) WOULD NOT INCREASE REAL AGRICULTURAL INCOME AFTER THREE CONSECUTIVE YEARS OF LOSSES.

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3. PIERRE MEHAIGNERIE, THE NEW AGRICULTURE MINISTER, CHOSE TO FOCUS ON THE POSITIVE ASPECTS. HE CITED THE FACT THAT THE AGREEMENT EMBODIED THE ORIGINALLY PROPOSED EC SOLUTION OF A MONTH AGO DESPITE THE DELAY CAUSED BY THE UK. ALTHOUGH THE UK DID SUCCEED IN OBTAINING A BUTTER SUBSIDY FOR ITS CONSUMERS, MEHAIGNERIE POINTED OUT, FRANCE HAD

SUCCEEDED ESTABLISHING A TIME LIMIT WHICH WOULD PHASE OUT THE SUBSIDY AT THE END OF 1978. HE ALSO INDICATED THAT A START HAD BEEN MADE TO REDUCE DISTORTIONS CAUSED BY MCA ADJUSTMENTS AND TOOK SATISFACTION IN NEW TAX ON ISOGLUCOSE. MEHAIGNERIE WAS LESS PLEASED OVER THE FAILURE TO FIND SOLUTIONS TO MILK PROBLEM ALTHOUGH HE DID SUPPORT CORRESPONSIBILITY TAX ON MILK PRODUCERS WHICH HE VIEWED AS A MEASURE TO PROMOTE THE EXPORT OF DAIRY PRODUCTS OVER THE LONG TERM RATHER THAN AS A PENALTY ON PRODUCERS. HE WAS MOST UNHAPPY OVER THE WINE SITUATION AND ACCUSED THE ITALIANS OF DOING NOTHING TO FACILITATE THE APPLICATION OF THE COMMUNITY RULES AND OF SYSTEMATICALLY DEVALUATING THE LIRA, AVOIDING ESTABLISHMENT OF AN EFFICIENT STATISTICAL SERVICE TO PERMIT EFFECTIVE CONTROL OF PRODUCTION, AND OF CLOSING THEIR EYES TO FRAUDULENT PRACTICES DESIGNED TO DUMP WINE IN OTHER MARKETS.

4. THE GOF IS GENERALLY SATISFIED SINCE THE PRICE INCREASES WILL BE WITHIN THE GUIDELINES OF THE BARRE PLAN DESIGNED TO FIGHT INFLATION. FARMERS HAVE GRUDGINGLY ACCEPTED THE RATIONAL OF GOF TO EFFECT THAT CONTROL OF INFLATION IS IMPORTANT TO FRENCH AGRICULTURE SINCE IT WILL HALT RISING COSTS.

5. COMMENT: A GOOD AGRICULTURAL YEAR WILL TAKE SOME PRESSURE OFF THE DEMAND FOR HIGHER PRICES - AND GENERAL OUTLOOK FOR 1977/78 IS GOOD AT THIS TIME. HOWEVER, A CONTINUATION IN STEADY INCREASE IN COSTS WILL ADD NEW FUEL TO DEMANDS FOR INCREASES IN AGRICULTURAL PRICES. A UNCLASSIFIED

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FACTOR OF PERHAPS INCREASING IMPORTANCE IS DECLINE TO BELOW 9 PERCENT IN THE AGRICULTURAL WORK FORCE AS A PERCENT OF TOTAL IN FRANCE - A FACT WHICH HAS SLOWLY ERODED ABILITY OF AGRICULTURAL SECTOR TO DICTATE ECONOMIC POLICY. GAMMON

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## Message Attributes

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**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
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**Review Markings:**  
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